

Ludwig W. Fliesser

# Governance of the Ilisu Dam Project

Stakeholders – International Institutions – Compliance – Legitimacy



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Umschlagabbildung: © Tigris River, Ilisu village and dam construction site © L. W. Fliesser, (May) 2009

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## List of Acronyms

BP	Bank Procedure (of the World Bank)
CoE	Committee of Experts
CoE-CH, CH-CoE	Cultural Heritage Committee of Experts
CoE-E, E-CoE	Environmental Committee of Experts
CoE-R, R-CoE	Resettlement Committee of Experts
DSi / SHW	Devlet Su Isleri / General Directorate of State Hydraulic Works
EAWAG	Swiss Federal Institute of Aquatic Science and Technology
ECA	Export Credit Agency
EFN	Environmental Failure Notice
EIAR	Environmental Impact Assessment Report
EMG	External Monitoring Group
FAM	Final Assessment Meeting
GAP	Güney Dogu Anadolu Projesi / Southeastern Anatolia Project
HEPP	Hydroelectric Power Plant
IC	Ilisu Consortium of Construction Companies
ICOLD	International Committee on Large Dams
MARA	Ministry of Agriculture and Rural Affairs (Turkey)
MPWS	Ministry of Public Works and Settlement (Turkey)
NGO	Non Governmental Organization
OP	Operational Policy (of the World Bank)
PIU	Project Implementation Unit
PIU-R, PIU-CH, PIU-E	PIU-Resettlement, PIU-Cultural Heritage, PIU-Environment

PAP	Project Affected Person
RAP	Resettlement Action Plan
SPO	State Planning Organization
TOKI	Collective Housing Administration
ToR	Terms of Reference
UEIAR	Updated Environmental Impact Assessment Report
URAP	Updated Resettlement Action Plan
WB	World Bank



# 1. Introduction

Ilisu, a small village located in Southeastern Anatolia next to the Tigris River, has become eponymous for a giant hydropower project with a financial volume well over a billion Euros. The power plant is intended to have an installed capacity of 1,200 megawatts, producing an estimated 3,833 gigawatt hours per year. This would contribute an estimated 300 million Euros to Turkey's national economy.

The Ilisu Dam, with a planned height of 136 meters and a reservoir area of 313 km<sup>2</sup>, is part of the Southeastern Anatolia Project (GAP), a giant development project of the Turkish government. Its declared objective is the stimulation of economic growth in the region, which should bring wealth and prosperity to the people within the economically underdeveloped province of Southeastern Anatolia. 3,500 to 4,000 jobs would be directly created during the construction of the Ilisu Dam, which would last five to seven years. For each five construction workers, one additional job would be indirectly created in the service sector in order to service the growing needs of the laborers. Following the logic of the project's proponents, direct investments will follow the dam's completion, and the improved infrastructure is expected to enable a substantial increase in economic productivity and a higher living standard in the region.<sup>1</sup>

On the flip side of the coin, the oceanic reservoir of the Ilisu Dam would have severe impacts on the environment and inundate the living space of tens of thousands of people. Around 55,000 to 65,000 Project Affected Persons (PAPs), living distributed in almost two hundred settlements, would be subject to involuntary resettlement as a result of the construction and operation of the Ilisu Dam.<sup>2</sup> The largest affected settlement within the reservoir area is the district town Hasankeyf, with

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1 Basic facts were taken from the official project website [www.ilisu-wasserkraftwerk.com](http://www.ilisu-wasserkraftwerk.com) (retrieved June 29, 2010) and an information booklet from DSi which was released on the occasion of the ground-breaking ceremony of the Ilisu dam in 2006. Further information in Turkish can be found on the official Website of DSi: [http://www.dsi.gov.tr/ilisu\\_projesi.pdf](http://www.dsi.gov.tr/ilisu_projesi.pdf) (retrieved April 3, 2010).

2 Resettlement Committee of Experts 2008, 2nd Report: p7 & p50. CoE-R also remarked that census data had not been available at that time. The accurate number of Project Affected Persons (PAP) is still in dispute.

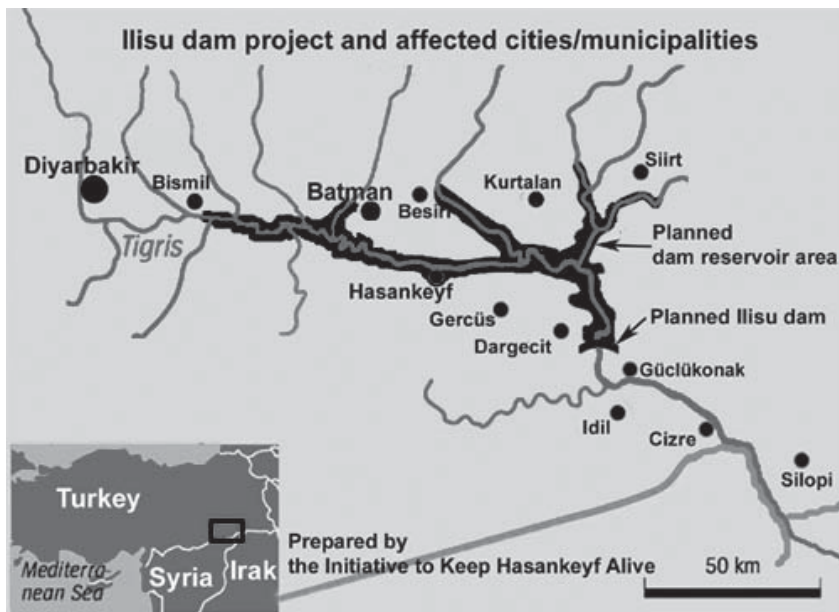
3,271 inhabitants.<sup>3</sup> Hasankeyf is located on a historic trade route connecting Mesopotamia, Asia and Europe, and has been settled for many thousands of years.<sup>4</sup> It served as a Nestorian bishop's see in the 5<sup>th</sup> century AD and it was the capital of the Artuqids around the 12<sup>th</sup> century. The town is situated in the spectacular setting of a landscape shaped by the Tigris River. Several of its monuments are evidence of a glorious past. Among them are the Artuklu Bridge from the 12<sup>th</sup> century and the Al-Rızk Mosque and the Tomb of Zeynel Bey from the 15<sup>th</sup> century. Even though the Turkish government declared its intent to relocate some selected monuments to a cultural park area, many others will be inundated if the Ilisu Dam is built. That is why the town's future has been particularly controversial.

Paradoxically, the political quarrel over the Ilisu project, which was about to sound the death knell for Hasankeyf, catapulted the town to fame in Turkey, Europe and beyond. An only too well known internet search engine finds over half a million entries for the search term "Hasankeyf". This high degree of popularity has contributed to the fact that this relatively small town in Southeastern Anatolia is a tourism hot spot today.

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3     Number of inhabitants in 2007, source: [www.yerelnet.org.tr](http://www.yerelnet.org.tr) (retrieved April 3, 2010).

4     The history of Hasankeyf and since when the town has been settled is a controversy itself that I am unable to resolve in this paper. Opponents of the dam usually claim that the town is 10,000 to 12,000 years old. This cannot be verified, but certainly the town and the surrounding area have been settled long before the beginning of the Christian calendar.





## 2. Historical Overview (1954 – 2009)

On the 18<sup>th</sup> of December, 1953 the Turkish State Hydraulic Works (DSİ) was founded. It formed its organization in 1954. The very same year, the planning of the Ilisu project began. The dam forms part of the Southeastern Anatolia Project (GAP), a gigantic infrastructure project and one of the world's largest irrigation schemes, consisting of 22 dams, 19 hydroelectric power plants and irrigation for 1.7 million hectares of farmland. The GAP region covers around 10 percent of Turkey in terms of space and population. However, the gross regional product only accounted for 5.5 percent of Turkey's gross domestic product (GDP) in 2001. Per capita income in the GAP region was only \$1,186, while per capita income of Turkey was \$2,146.<sup>5</sup> This is symptomatic of Turkey's west-east divide in terms of income and wealth.

The ambitious target of GAP is to increase the region's GDP and minimize the gap between the regional and national income levels. Industrialization and export-oriented farming should bring wealth and prosperity to the region, which has suffered from enduring political instability, especially during the 1980s and 90s. According to the official description, "the philosophy of sustainable human development was adopted in the context of GAP activities upholding the principles of human development, participation, equality and fairness".<sup>6</sup> These issues will be addressed at a later point within this paper.

If built, the Ilisu Dam will be the second biggest dam in Turkey in terms of reservoir size, with a storage capacity of 10.4 billion cubic meters.<sup>7</sup> After a pre-investigation report was published by DSİ in 1971, the final plans were worked out by Turkish and foreign engineers under DSİ's supervision. Feasibility studies and planning were completed at the end of 1982.<sup>8</sup> No substantial changes in the project's design have

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5 Socio-economic characteristics of the GAP Region, Official Gap Website: [http://www.gap.gov.tr/gap\\_eng.php?sayfa=English/Ggbilgi/gozel.html](http://www.gap.gov.tr/gap_eng.php?sayfa=English/Ggbilgi/gozel.html) (Last update on July 3, 2006, accessed on April 3, 2010).

6 Republic of Turkey: Latest situation on South Eastern Anatolia Project – Activities of the GAP administration, downloaded from the official GAP website: <http://www.gap.gov.tr/English/Genel/sdurum.pdf> (officially released in June 2006, accessed on April 3, 2010).

7 Republic of Turkey: Ground-breaking ceremony for the Ilisu dam, Information booklet. See also: [http://www.dsi.gov.tr/ilisu\\_projesi.pdf](http://www.dsi.gov.tr/ilisu_projesi.pdf) (retrieved April 3, 2010).

8 ENCON: URAP 2005, Annex G.2, information booklet

been made since that time.<sup>9</sup> Nevertheless, the project still awaits its realization since all attempts to finance the project's implementation so far have failed.

The first international tender phase for the Ilisu project started in 1996/1997.<sup>10</sup> The former consortium leader, the Swiss company Sulzer Hydro ran for the job together with the British company Balfour Beatty, the Italian company Impregilo, the Swedish company Skanska and three Turkish companies. The British Export Credits Department and a number of other ECAs were approached,<sup>11</sup> but a deal could not be closed. In November 2001, a year after Skanska had abandoned the Ilisu project, Balfour Beatty, together with its Italian partner Impregilo, also decided to pull. The company stated that "the decision follows a thorough and extensive evaluation of the commercial, environmental and social issues inherent in the project. [...] With appropriate solutions to these issues still unsecured and no early resolution likely, Balfour Beatty believes that it is not in the best interests of its stakeholders to pursue the project further."<sup>12</sup> This statement was countered by a representative of the Austrian company Andritz Hydro, who claimed that the major reason why Balfour Beatty and its partner companies had failed to close a deal was that they overpriced their offer.<sup>13</sup>

In 2004, the second tender phase for the Ilisu project started. After the collapse of this first international consortium, Sulzer Hydro had been bought by VA Tech which was later purchased by Andritz Hydro. Andritz took the lead of a newly composed consortium and pushed ahead with the Ilisu project despite all criticism from environmentalists and human rights activists. German, Austrian and Swiss ECAs were approached in the course of negotiations. Despite the fact that international financing had not yet been officially secured, Turkish Prime Minister Erdoğan personally led the ground-breaking ceremony at the

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9 Personal interview with the IC Representative to PIU, Ertan Demirbas, Ankara, May 16, 2009

10 Personal interview with a representative of Andritz AG, Vienna, April 27, 2009

11 United Kingdom Parliament, Select Committee on Trade and Industry, Twelfth Report: <http://www.publications.parliament.uk/pa/cm200001/cmselect/cmtrdind/512/51204.htm> (retrieved April 3, 2010).

12 BBC News, November 13, 2001, <http://news.bbc.co.uk/2/hi/business/1653727.stm> (retrieved April 3, 2010).

13 Personal interview with a representative of Andritz AG, Vienna, April 27, 2009

construction site in Ilisu on the 5<sup>th</sup> of August, 2006. Two months later the ECAs of Austria, Germany and Switzerland and the Turkish Government Organization DSi formally agreed on the conditions for official export support at the Final Assessment Meeting in Ankara (FAM) on the 6<sup>th</sup> of October, 2006. The essence of this agreement was that compliance with the standards of the World Bank became legally binding for the implementation of the project in return for export credit support. On the 28<sup>th</sup> of March 2007, the governments of Austria, Germany and Switzerland formally committed to issue an export credit guarantee for the Ilisu project.<sup>14</sup> The supply contracts were finalized in August 2007, and in February 2008 the export credit guarantees came into force. The Ilisu Consortium took the advanced payment in March 2008 which marked the beginning of the project implementation phase.<sup>15</sup>

At this time, NGOs in Turkey, Switzerland, Germany and Austria were already campaigning heavily against the project. Besides the long lasting controversy over the flooding of Hasankeyf and the archaeologically important sites in the Tigris Valley, dam opponents stressed the possibility that the construction and operation of the Ilisu Dam may escalate regional tensions over water issues between Turkey and its riparian states, Syria and Iraq. Critics also argued that the building of the dam would cause ecological disaster and that the inundation of the homes of tens of thousands of people would be a massive interference into people's lives and an infringement of their basic rights. Project opponents claimed that out-migration from the reservoir area would contribute to the obvious problem of massive urbanization in Turkey and therefore would have structural impacts reaching well beyond the group of the Project Affected Persons itself. This was also an argument of regional politicians who opposed the dam. The most prominent exponents were the elected mayors of the cities of Diyarbakir and Batman, who openly supported the campaign against the Ilisu project. Both cities have experienced a massive increase in population during the last decades, pushing public service to the brink of collapse.<sup>16</sup>

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14 Oesterreichische Kontrollbank AG: <http://www.oekb.at/de/exportservice/transparenz-compliance/Projekte-der-Umweltkategorien-A-B/ilisu/Seiten/eckdaten.aspx> (retrieved April 3, 2010)

15 Interview, personally conducted with the IC Representative to PIU, Ertan Demirbas, Ankara, 16<sup>th</sup> of May 2009

16 Population had officially increased from 12,601 to 246,678 people in Batman and from 401,884 to 1,362,708 in Diyarbakir between the years 1960 and 2000 (Source: [www.yerelnet.org.tr](http://www.yerelnet.org.tr). April 4 2010).

The Committee of Experts (CoE) monitored compliance with international standards as specified in the Terms of Reference (ToR) of the *Agreed Minutes of the Final Assessment Meeting*. After the CoE had reported a substantial backlog in the completion of these ToR, the ECAs issued an Environmental Failure Notice (EFN) to the Turkish government in October 2008. The main complaints were shortcomings in the Resettlement of the Project Affected Persons, as well as the ill-prepared relocation of Hasankeyf's monuments. Turkey was given sixty days time to deliver a response to the EFN.

With the issuing of the EFN, pressure from the NGOs also intensified, especially in the European decisional centers. The most spectacular action was the peaceful occupation of the Austrian export credit agency, the Oesterreichische Kontrollbank AG (OeKB), in Vienna on December 10<sup>th</sup>, 2008. The issue was resolved peacefully as the OeKB apparently did not call upon the police to vacate its office of protesters. The activists left the building voluntarily at exactly five minutes to twelve, a symbolic time associated with the environmentalist movement. The occupation of the OeKB drew considerable media interest, and the incident was covered by the daily news on Austrian national television.<sup>17</sup> A recorded statement by the CEO of the OeKB Rudolf Scholten, and a live statement by Austria's Foreign Minister Michael Spindelegger both indicated that the Turkey's lack of compliance with contractually agreed-upon standards would have repercussions.

After the Turkish government failed to deliver a satisfactory response to the EFN, the export credit agencies ordered the suspension of delivery contracts for the project for a period of 180 days, beginning on December 23<sup>rd</sup>, 2008. The Turkish government was asked to bring the project up to international standards within these six months. A new evaluation of the project was scheduled for June 2009, and a decision about how to proceed was expected for July. Encouraged by the ECAs' suspension of delivery contracts, NGOs continued to campaign against the Ilisu project, which seemed to increasingly loose public support - if it ever had any - in Turkey and Europe alike. The closer the day of the ECAs' decision of how to proceed after the expiration of the suspension period came, the more public opposition to their involvement in

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17 ZIB 2 news on ORF 2, Wednesday, 10th of December 2008 at 10 p.m. with an average range of 7.5 percent of all national viewers, equating to 527,000 people. (source: AGTT / GfK TELETTEST, transmitted via email from mediaresearch@orf.at, 30th of April 2009)



the project grew. Local, regional and national politicians from Austria, Germany and Switzerland, as well as many prominent artists and intellectuals from Europe and Turkey, took a firm stand against the project. The mayor of Diyarbakir, one of the biggest cities in Southeastern Anatolia, was in the forefront of regional critics. Also the Turkish celebrity musicians Tarkan and Aynur as well as the famous Turkish authors Yasar Kemal and Nobel Prize Laureate Orhan Pamuk were opposed to the building of the dam.<sup>18</sup> On the 28<sup>th</sup> of May, 2009, NGOs hosted a conference against the Ilisu Dam in Berlin - the very same time when I carried out field research in the project area (see chapter 3). The conference drew considerable attention from the media and was also reported in Turkish newspapers, becoming the subject of the day in Hasankeyf's teahouses.

Meanwhile, the Turkish government optimistically affirmed its will to start construction of the dam in July 2009. But, on the 19<sup>th</sup> of June, 2009, the German authorities leaked that they would finally withdraw from the project after the expiration of the suspension period. The information was first published by the German newspaper *Frankfurter Rundschau* via their online service on the 19<sup>th</sup> of June, a couple of minutes after midday.<sup>19</sup> Since it was a Friday and the weekend tends to begin early for civil servants and government officials, journalists were unable to find somebody who could either deny or confirm the information. The news article stayed online the whole day without any official denial or confirmation of the information. The next day, on June 20<sup>th</sup>, virtually all newspapers within Germany, Austria and Switzerland reported about ECAs' expected withdrawal in their morning editions, referring to the online service of the *Frankfurter Rundschau* which had dropped the bomb without the mention of a single name or agency as a source.

History proved that the information had been accurate: the ECAs officially announced their withdrawal from the Ilisu project in a joint statement on the 7<sup>th</sup> of July, 2009. Two days later, this was followed by a joint withdrawal of the three foreign lending institutions Bank Aus-

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18 A list of prominent supporters against the Ilisu project can be obtained from the "Stop Ilisu Campaign" website: [http://m-h-s.org/ilisu/front\\_content.php?idart=487](http://m-h-s.org/ilisu/front_content.php?idart=487) (retrieved April 3, 2010). Valuable information about the resistance in Turkey can also be obtained from the Turkish campaign's website: <http://www.hasankeyfgirisimi.com> (retrieved April 3, 2010)

19 Frankfurter Rundschau, June 19, 2009, online: [http://www.fr-online.de/top\\_news/?em\\_cnt=1803702&](http://www.fr-online.de/top_news/?em_cnt=1803702&)

tria (Uni Credit), Deka Bank and Société Générale on the 9<sup>th</sup> of July. This was a serious set-back for the entire project, leaving a financial gap of roughly half a billion Euros, which led to a collapse of the Illisu Consortium; whether the project will be redesigned or other investors will step in was still uncertain upon the completion of this paper. In any case it did delay the project and the construction site remained silent during the summer of 2009.

### 3. Research Strategy

The basic assumption behind this research is that the realization of a large hydro-power project is not only a technical endeavor - it is also the result of a complex governance process. It requires the coordinated action of numerous individuals who are organized within different agencies, and those agencies' spheres of influence may stretch across national boundaries. Thus, the interdependence and interaction of stakeholders, the organizational structure and the institutional framework shape the design and the implementation of any large hydro-power project, apart from deliberations of engineering.

The guiding questions of this paper are: who are the stakeholders of the Ilisu project, what are their interests, and how are they linked to each other in governance? Which international institutions affected the project? This set of questions will be answered by a description of governance (chapter 4) and the different stakeholders (chapter 5) as well as the international institutions that codetermined project law (chapter 6).

Subsequently, questions of compliance with project law and questions of legitimacy will be addressed. For this purpose, governance of the Ilisu project will be benchmarked against the standards of the World Bank (chapter 7), before dealing with the legitimacy of the Ilisu project (chapter 8). Final conclusions will be drawn (chapter 9) before making some suggestions to enhance participation of the Project Affected People within the governance of the Southeastern Anatolia Project GAP (chapter 10).

Empiric research was started at the end of 2008 and was completed in July 2009. Research activities consisted of a review of project related documents, a field trip to the reservoir area and the proposed dam site, and guideline-based interviews with at least one representative of each stakeholder group. This is a list of interview partners:

- Rudolf Scholten, CEO of the Oesterreichische Kontrollbank AG (Vienna)
- Günther Holzer from Andritz Hydro, the leading company of the European delivery consortium (Vienna)
- The Nurol-Cengiz representative to the Project Implementation Unit (PIU), Ertan Demirbaş (Ankara)
- Ulrich Eichelmann from the NGO *ECA-Watch Austria* (Vienna)